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NATIONAL INTELLIGENCE DAILY CABLE

Friday August 13, 1976

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Friday August 13, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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CONTENTS

TURKEY-GREECE: Political, Military Situation Page 1

SOUTH AFRICA: Rioting in Cape Town Area Page 3

EGYPT-LIBYA: Cairo Strengthening Forces Page 4

LEBANON: Tall Zatar Falls Page 5

OPEC: Oil Exports to Rise Page 7

25X1

IRAQ-SYRIA: Oil Positions Irreconcilable Page 9

ANGOLA: Benguela Railroad to Reopen Page 10

25X1

UAE: Zayid Threatens to Retire Page 11

25X1

SPAIN: Constitutional Reform Program Page 15

PORTUGAL: Tensions in Military Page 16

25X1

ARGENTINA: Human Rights Issue Page 18

JAMAICA: Search for Loans Page 19

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TURKEY-GREECE: Political, Military Situation

25X1 [] Greek Foreign Minister Bitsios, addressing the UN Security Council yesterday on Aegean tensions, accused Turkey of committing "arbitrary and provocative" acts. He asked the Council to call on the Turks to suspend their seismic research in disputed portions of the Aegean Sea.

25X1 [] The Security Council will hear Turkish Foreign Minister Caglayangil this afternoon before responding to the Greek position.

25X1 [] Bitsios would doubtless also like a Council endorsement of Athens' application to the International Court of Justice earlier this week for a ruling on the Greek-Turkish dispute over Aegean seabed rights.

25X1 [] The Turks, loath to admit any wrongdoing in carrying out research in disputed areas of the Aegean, are unlikely to be enthusiastic about any Security Council resolution. They could probably accept a document that cautioned restraint on both sides, emphasized bilateral negotiations, and hinted at some future opinion from the International Court.

25X1 [] A draft resolution circulating among Security Council members yesterday would seem sufficiently moderate to satisfy Turkey, but Caramanlis' ability to sell such a document to Greeks demanding a sterner response would hinge on future Turkish activities in the Aegean.

25X1 [] After a cabinet meeting yesterday, Turkish Prime Minister Demirel told reporters he hoped the research ship Sismik I would complete work in its present area of operation by the weekend. He said the ship would then begin the third leg of its exploration.

25X1 [] The matter of renewed bilateral negotiations has already been brought into question by Athens' rejection of such talks until the Turks cease their activities in disputed waters. Turkey has been cool to this suggestion, as it may also be to any near-term referral of the matter to the International Court following Athens' unilateral application.

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[REDACTED] //There apparently has been no significant change in the status of Greek and Turkish forces since Wednesday, although both are maintaining a high state of military readiness and could react immediately to an incident or military attack.//

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[REDACTED] //The US defense attache in Athens believes there is no indication Greece plans to initiate hostilities or expects Turkey to do so soon. He reports that the Greek armed forces headquarters continues to operate on a normal schedule with no signs of a war alert. General Vazaios, deputy commander of Greek armed forces, assured the attache yesterday that the Greek press had exaggerated its reports that a large number of officers' leaves had been canceled.//

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[REDACTED] //Greek forces apparently are maintaining close surveillance of the Sismik. A film shown on Turkish television Wednesday showed a lightly armed corvette of World War II vintage following the Sismik at a close distance while an unarmed Greek search-and-rescue plane circled overhead. The Turks have complained that such surveillance constitutes harassment of the ship.// [REDACTED]

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SOUTH AFRICA: Rioting in Cape Town Area

25X1 [] Student demonstrations that triggered rioting in three black townships near Cape Town have resulted in at least 27 deaths--the highest toll since the June riots.

25X1 [] The latest bloodshed began Wednesday afternoon, when police tried to disperse students who were attempting to get others to join a boycott of classes. Adults going home from work joined in the skirmishing with police, looted liquor stores, and set fire to many buildings. Rioting subsided after midnight, but some students tried to stop adults from commuting to work yesterday morning, and further clashes occurred with police.

25X1 [] This is the first major violence for years in the Cape Town area, where "coloreds" (mulattoes) are more numerous than blacks. Students at a university for "colored" near Cape Town have been boycotting classes to show sympathy for the black students in Soweto shot by police during the June riots.

25X1 [] Yesterday Prime Minister Vorster announced that all members of Parliament who belong to the ruling National Party will meet in September, even though Parliament is not scheduled to convene until next January. Although Vorster has not said why he is calling the special meeting, holding it will virtually compel him to present some program for coping with the racial tensions that have clearly worsened since June.

25X1 [] Vorster's only public comment on the second round of student disorders, which began in the Johannesburg area on August 4, has stressed that the government will neither tolerate further violence nor make concessions to dissidents. Consultations begun earlier between government leaders and authorized spokesmen for urban blacks have been suspended.

25X1 [] Vorster's apparent strategy is to show firmness until the militant students are clearly put down, then resume consideration of some limited concessions to urban blacks. Although some Afrikaaner intellectuals have advocated basic modifications of the apartheid system to accommodate urban blacks, Vorster pays more heed to the great majority of his party who oppose such reforms. []

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EGYPT-LIBYA: Cairo Strengthening Forces

25X1

[] Cairo's leading daily newspaper reported today that Egypt is strengthening its forces on the border with Libya. The paper quotes a "responsible military source" as saying that armor, infantry, paratroop, and air-defense units are involved in the reinforcement.

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[] The military source said the reinforcements are designed to protect Egypt's western border and prevent the infiltration of saboteurs.

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[] Egypt says it has evidence that Libya is recruiting and training Egyptians for sabotage operations similar to the bombing last Sunday of a government building in Cairo. The bombing was carried out by an Egyptian who has confessed that he was trained in Libya.

25X1

[] Cairo newspapers reported on Wednesday that three Egyptians who had been trained in Libya for sabotage operations recently turned themselves in to Egyptian security authorities upon their return to Egypt. The three men allege that they were paid to carry out assassinations and bombings and to recruit other Egyptians for training in Libya. Two of them say there were 17 other Egyptians in the camp where they were trained.

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[] We have no reason to doubt the Egyptian charges, although Cairo could be embellishing evidence of Libyan meddling in order to dramatize its case against Libyan President Qadhafi.

25X1

[] The Egyptians have been giving heavy propaganda play to the bombing incident and have openly threatened Qadhafi. One Cairo newspaper declared on Monday that patience with Qadhafi's "madness" is no longer possible and that "liquidation" is the only way to handle him.

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LEBANON: Tall Zatar Falls

25X1 . [] Several thousand individuals--including combatants--fled Tall Zatar refugee camp as Christian militiamen stormed it early yesterday morning.

25X1 [] Palestinian spokesmen admitted the camp had fallen, but claimed that some hand-to-hand combat was still going on inside the camp. The leftist-controlled Beirut radio did admit, however, that many had fled and appealed to Beirut citizens to aid those seeking safety in Muslim-controlled west Beirut. Christian officers have told foreign journalists they will be allowed to enter the camp some time today.

25X1 [] //Some Christian leaders seem to recognize that their handling of prisoners and the final surrender of the camp will largely determine the intensity of Palestinian reprisals.

25X1

25X1 [] Even if Christian leaders show restraint, the surrender of Tall Zatar will be a serious psychological blow to the Palestinians and their leftist allies, who have also taken heavy casualties in defense of the camp.

25X1 [] The most likely targets for reprisals are isolated Christian communities in southern Lebanon and Christian residents in the Muslim sector of Beirut. []

25X1

25X1 [] The fall of the camp will also strain the already divided leadership of the Palestine Liberation Organization. Salah

Khalaf and other militants will accuse Yasir Arafat and those favoring compromise with Syria of leaving the Palestinians vulnerable to such attacks and for failing to muster sufficient outside help.

25X1

[redacted] Arab League mediator Hasan Sabri al-Khuli and a Palestinian delegation were supposed to leave for Damascus yesterday to discuss the situation at the camp and to try to revive plans for the quadripartite truce committee. They are not likely to make sufficient progress toward easing the tension generated in Beirut by the battle over the camp.

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OPEC: Oil Exports to Rise

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[] We expect oil exports from members of the Organization of Petroleum Exporting Countries to rise by 1 million barrels per day this quarter--the same as during the first two quarters of 1976. The increase from October to December may be even greater as importers attempt to build stocks in anticipation of another price hike in December.

25X1

[] Earnings from oil for the year will probably total \$123 billion, almost \$20 billion above the 1975 level. OPEC's current-account surplus totaled \$11.3 billion in the January to March period, up \$2.7 billion from last year's quarterly average. This was due in part to reduced expenditures for imports.

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[] Preliminary data for the second quarter indicate a hefty increase in the value of OPEC imports; shipments to all the major oil producers except Kuwait are rising rapidly. Saudi, Iranian, Venezuelan, and Nigerian purchases seem to be picking up most rapidly.

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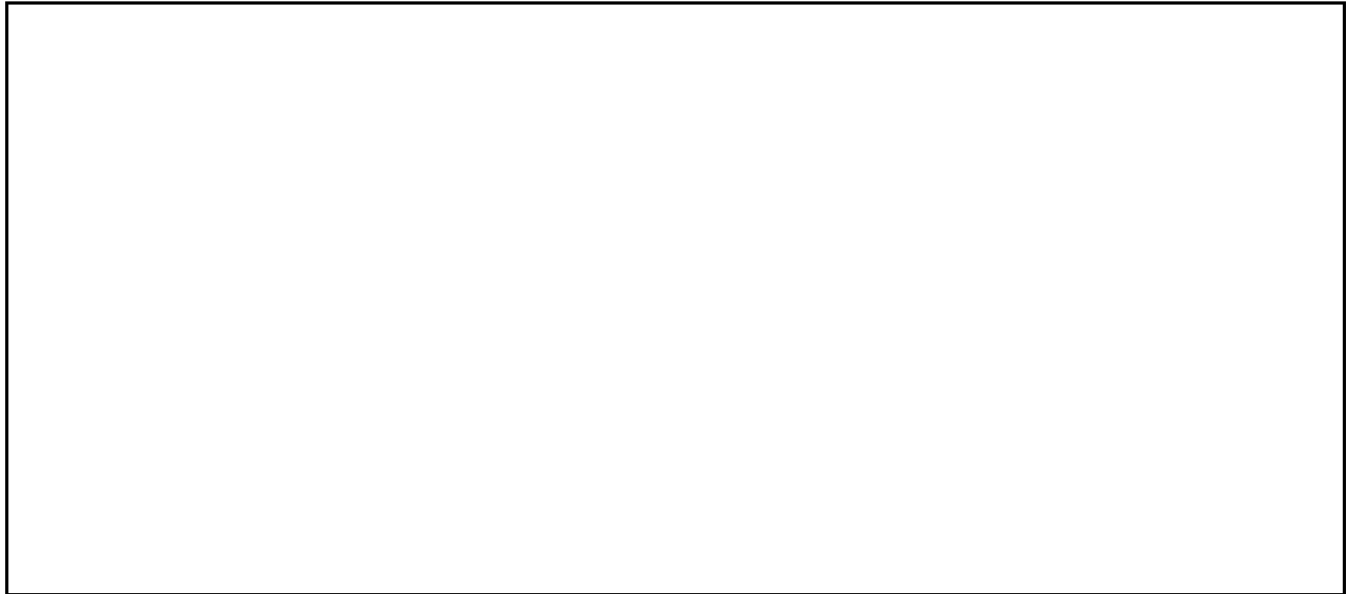
[] For 1976 as a whole, we expect the aggregate OPEC current-account surplus to total about \$41 billion, compared with \$34 billion for 1975. This surplus should increase the foreign assets held by OPEC members from \$100 billion on January 1 to perhaps \$135 billion by the end of the year. Their foreign reserves would then be nearly half again as large as the combined reserves of the seven major developed countries--the US, West Germany, Japan, the UK, France, Italy, and Canada.

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IRAQ-SYRIA: Oil Positions Irreconcilable

[REDACTED] The pipeline dispute between Iraq and Syria is unlikely to be resolved soon, and both sides are taking alternative measures to ship and receive oil.

[REDACTED] The dispute arose from a refusal by each country to accept the other's terms for a renewal of the oil transshipment contract, which expired in December. Iraq halted shipments through the pipeline in mid-April.

[REDACTED] Syria is demanding sharply increased royalties for Iraqi crude crossing its boundaries; Iraq insists that Syria pay the world market price for any oil taken from the pipeline. Failure to reach a compromise stems in large part from the general political animosity between the two regimes.



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[] Iraq's oil exports and revenues fell sharply immediately following the closure of the pipeline. For the last two months, however, it has managed to supply most of its customers from its Persian Gulf facilities. Exports are still about 300,000 barrels per day below the 1975 level.

25X1

[] By the end of the year, when the new pipeline from Iraq's northern fields to the port of Dordyol, Turkey, is scheduled for completion, Iraq hopes to be able to export again via the Mediterranean. The new pipeline's initial capacity will be 500,000 barrels per day, enough to allow full restoration of production if market conditions warrant. []

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ANGOLA: Benguela Railroad to Reopen

25X1

[] Angola's Benguela Railroad reportedly will be reopened to international traffic during the next week, but it will still be vulnerable to guerrilla sabotage.

25X1

[] Prior to its closing a year ago, this key rail line carried about half of Zaire's and Zambia's trade, including about 35 percent of Zaire's copper exports and 50 percent of Zambia's. Since then, Zaire and Zambia have attempted to reroute traffic through Dar es Salaam and other ports in eastern Africa. Zaire is also using South Africa's ports.

25X1

[] Despite some use of the Tan-Zam Railroad since September 1975, copper exports for both countries are still running about 20 to 30 percent below pre-closure levels.

25X1

[] Reopening of the Benguela line will not immediately solve Zaire's and Zambia's transport problems; it probably will be at least six months before prewar traffic levels can be attained. Most of the Portuguese who previously operated and maintained the railroad and port facilities at Lobito have emigrated, and skilled replacements will be difficult to find.

25X1

[] Zaire and Zambia, moreover, are hesitant to commit themselves heavily to this line until guerrillas operating in Angola can be brought under control. Even then the two countries may not wish to rely on the Angolan regime--which they opposed during the civil war--to handle a large part of their trade.

25X1

25X1 [] Zaire's national copper company has indicated that it will wait until the safety of its copper shipments can be assured before using the line. In contrast, Zaire's sole manganese producer plans to use the rail line immediately. Its production has been stockpiled since the railroad was closed because shipments via other longer, more expensive routes are not economical. 25X1 []

25X1

UAE: Zayid Threatens to Retire

25X1 [] Sheikh Zayid, President of the United Arab Emirates, threatened in a press interview last week to step down when his five-year term expires in December.

25X1 [] Zayid, ruler of Abu Dhabi--the wealthiest of the seven emirates included in the UAE--has faced a number of frustrations as the Union's president and he may well be fed up with the job.

25X1

On balance, however, we believe his threat is a maneuver designed to wring concessions out of rulers of other emirates in the Union who are resisting the transfer of some of their powers to the federal government.

25X1

[] Zayid has made little headway in his efforts to prod the member states into making payments to the central government's treasury, or to integrate effectively the military forces of the emirates into a federal defense force, despite some preliminary steps in that direction earlier this year.

25X1

[] Zayid's hopes for a stronger union got a setback a month ago when the UAE's seven-member supreme council decided to shelve plans for a permanent constitution to replace the "interim" one that is scheduled to expire in early December on the fifth anniversary of the founding of the Union. Instead, the rulers moved to keep the interim constitution, which is heavily weighted toward preservation of local autonomy, for another five years.

25X1

[] Zayid is aware that, except for Sheikh Rashid of Dubai, the other emirs are either incapable or unwilling to succeed him as president of the Union. He knows too that they want to preserve the federal structure, if only to retain easy access to Zayid's oil-based Abu Dhabi treasury.

25X1

[] With these strong cards in hand, Zayid will try to exact concessions on the divisive issues of military integration, funding of the federal government, and promulgation of a permanent constitution before he agrees to accept a second presidential term. Should this ploy fail, we believe he would remain in office anyway.

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SPAIN: Constitutional Reform Program

25X1 , [] Prime Minister Suarez is holding talks with government and opposition leaders on ways to get the stalled constitutional reform program under way.

25X1 [] In a meeting with Socialist leader Gonzalez this week, the Prime Minister said the government is thinking of holding a referendum in the fall that would present to the voters several basic, largely philosophical questions, such as whether they want a democratic system, a parliament elected by direct, universal suffrage, and free trade unions.

25X1 [] These questions would be discussed by the Franco-instituted National Council and the Cortes before submission to the voters. After consultations with all political groups, including the democratic opposition, the government would draft legislation on procedures for a parliamentary election, which Suarez has promised will be held no later than next June.

25X1 [] Gonzalez said he is pleased with his frank exchange with the Prime Minister and is convinced that Suarez is genuinely committed to holding democratic elections.

25X1 [] The Socialist leader believes that the opposition must decide on a negotiating body of 10 to 12 representatives of major groups to continue consultations with the government. The Communists would not be included--the government is adamantly opposed to their presence--but Gonzalez believes the Communists will accept exclusion as long as they are consulted by the negotiating group.

25X1 [] Gonzalez expressed concern that conservatives in the military hierarchy and their political allies might take it upon themselves to try to halt the government's steps toward reform. A showdown might come over setting the terms of the referendum since Suarez' plan to submit general questions to the voters is contrary to constitutional practice under Franco.

25X1 [] Gonzalez does not consider the extreme left or right sufficiently well organized to cause serious disorders, despite the government's seeming lack of full control over the security

forces. He also discounts the possibility of widespread labor unrest in the autumn, because of the workers' concern about keeping their jobs during the current economic slump. [REDACTED]

25X1

PORTUGAL: Tensions in Military

[REDACTED] //Tensions have been rising between conservative professionals in the Portuguese military and politically minded officers over the role of the military now that Portugal is moving toward full democratic rule.//

[REDACTED] //In an effort to cool dissension between the two groups, the influential Revolutionary Council yesterday decreed that Council members cannot hold military command positions and Council membership at the same time.//

[REDACTED] //The compromise decision was apparently forged by President Eanes and is intended to placate conservative officers who have become increasingly disenchanted with Eanes since he took over as president and armed forces chief last month because they believe he is not supporting their interests. They want to lessen the influence of the more politically minded officers who have played important government roles since the military took over in 1974.//

[REDACTED] //Yesterday's ruling will assuage the conservatives by removing leftist generals Charais and Pezarat Correia from their commands in the central and southern military regions, allowing them to retain their Council positions.//

25X1 [redacted] //Eanes' political views are not well defined
and his concessions to both sides have raised questions about
his orientation. At present, he is trying to steer a neutral
course between the two factions to avoid splitting the military
and threatening the stability of the new government. 25X1 [redacted]

25X1 [redacted]



ARGENTINA: Human Rights Issue

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[REDACTED] The Argentine government faces growing international and domestic protests over missing or arbitrarily detained persons.

25X1

[REDACTED] Within the last few months, several foreign nationals have been arrested and charged with subversive political activity. Some have simply disappeared without explanation. Most diplomatic attempts to gain their release or even information on their status have failed.



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[REDACTED] Only the Israeli government has been successful in freeing some of its nationals, and that only after persistent protests brought the intervention of top Argentine officials.

25X1

[REDACTED] Until recently, the Argentine public, anxious for an end to terrorism, has generally accepted the need for the government's arbitrary countersubversion policy. Now, military leaders are facing increasing pressure to settle the cases of dozens of detained Peronist labor and political leaders, and popular concern is growing for the hundreds of individuals who have been detained or have disappeared without a trace since the military take-over in March.

25X1

25X1 [] One of those detained was former president General Alejandro Lanusse. The military recently placed him under five days "disciplinary arrest" for criticizing the government's treatment of a university professor who served as Lanusse's education minister and who was accused of Marxist sympathies.

25X1 [] It is unlikely that either domestic or international pressure will move military leaders to put effective brakes on the counterterrorist campaign. Violence that has for years plagued Argentine society was a primary factor in the downfall of the five previous governments. Now that some progress is being made against organized terrorists, human rights considerations are not likely to deter security officials from their efforts to restore public order. []

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JAMAICA: Search for Loans

25X1 [] //Soaring balance-of-payments deficits have forced Jamaica to intensify efforts to secure new foreign loans.//

25X1 [] //The country's economic situation has deteriorated to such an extent that, even with the state of emergency in effect at home, Prime Minister Manley made a sudden visit to Caracas in late July searching for \$25 million in balance-of-payments support []

25X1

25X1 [] //Last week, Manley spent four days in New York meeting with leaders of the Jamaica Progressive League--an organization of US supporters of Manley's People's National Party. Though the announced purpose of the trip was party business, Manley may also have sought financial assistance.//

25X1 [] //Earlier this year, Jamaica had little success in its search for balance-of-payments support from several Arab countries. Manley is now reportedly planning to send government ministers to London and Peking to ask for new loans.//

25X1 [] Jamaica's real gross domestic product, which fell 2.3 percent in 1975, will be off at least 5 percent this year. The current-account deficit, which reached record heights last year, ballooned by another two thirds in the first half of 1976. Export earnings were off nearly 40 percent, primarily because of lower bauxite and alumina earnings.

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[] With domestic confidence on the wane, capital flight has soared. Private capital, which covered \$70 million of the current-account deficit in the first half of 1975, shifted to a \$20-million net outflow during the first six months of 1976.

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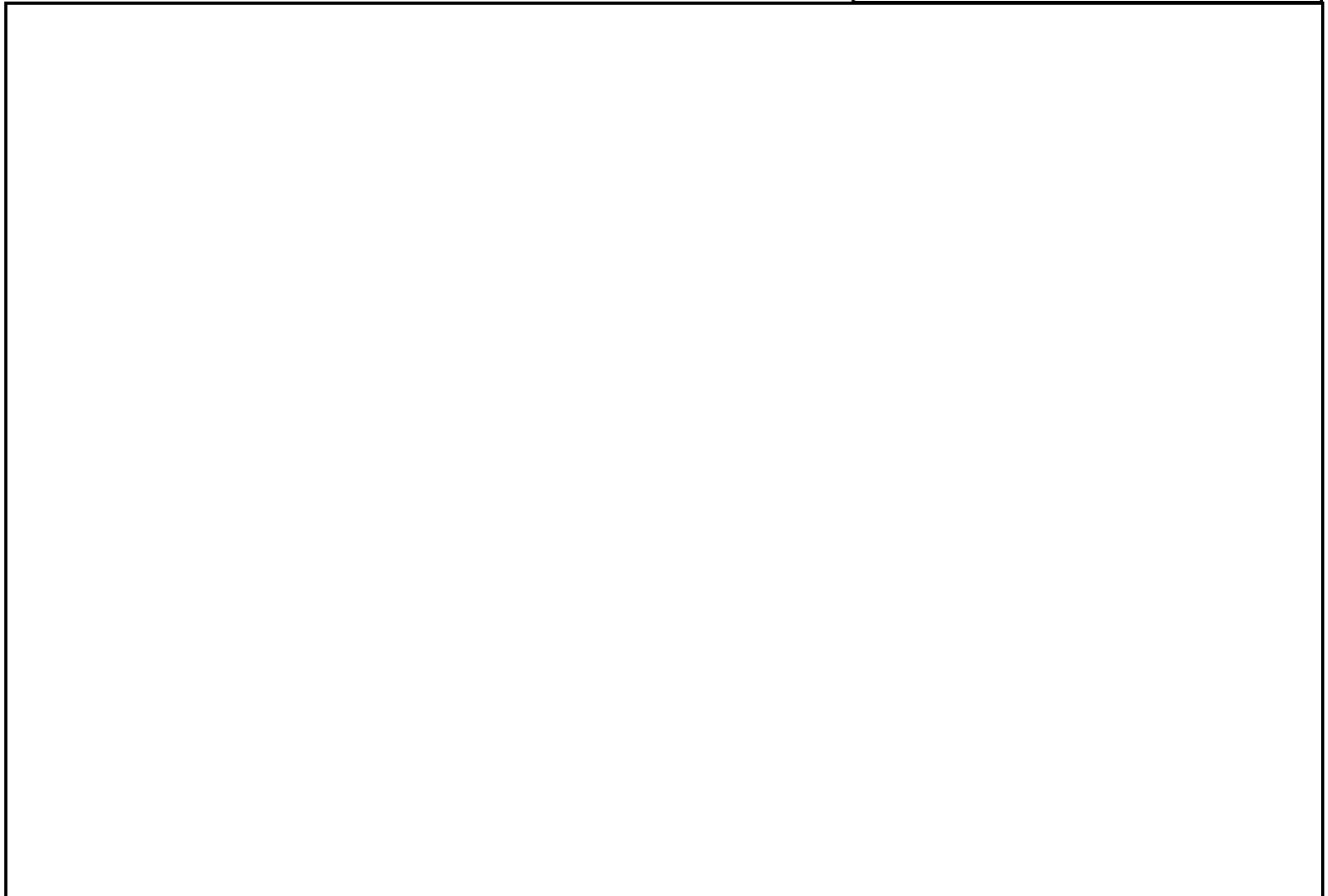
[] So far, the government has managed to finance its balance-of-payments deficits by short-term borrowing and drawing on the \$87-million credit extended in June by its Caribbean Common Market partners--Trinidad and Tobago, Barbados, and Guyana.

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[] //Imports were reduced 20 percent in the first half of this year, and depleted inventories of imported raw materials and consumer goods have led to a drop in industrial production and rising prices. To maintain even the current depressed level of imports for the remainder of 1976, Jamaica needs at least \$40 million in new loans.// []

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